Questions and Answers

Series EE Savings Bonds **Issued May 2005 and Thereafter**

Which Series EE bonds are affected by the new way of setting rates?

Series EE savings bonds issued on and after May 1, 2005, will earn a fixed rate of interest, set at the time of purchase. The new rate will apply for the 30-year life of each bond, including a 10-year extended maturity period, unless a different rate or rate structure is announced for the extension period. Interest accrues monthly and is compounded semiannually.

How often will the fixed rate change for new issues?

A fixed rate will be announced for new issues May 1 and November 1.

How is interest added to my savings bonds?

Series EE savings bonds purchased on or after May 1, 2005 increase in value every month. The bond's interest rate is compounded semiannually.

How will the fixed rate on EE bonds be determined?

The Department of the Treasury will set the fixed rate administratively. The rate will be based on 10-year Treasury note yields and adjusted for features unique to savings bonds, such as the tax deferral feature and the option to redeem the savings bonds at any time after the initial 12-month holding period

How do you purchase EE bonds, and how long must they be held?

Series EE savings bonds can be purchased in electronic form at face value by opening a TreasuryDirect account through our website www.treasurydirect.gov. Purchase prices for electronic securities start at $25, and they can be purchased in any amount above that up to $30,000 per person, per calendar year. EE bonds are also available in paper form in denominations ranging from $50 to $10,000, with the issue prices set at one-half their face value; for example, a $100 EE bond costs $50. Paper bonds can be purchased through most financial institutions and through payroll savings plans offered by employers nationwide. No matter the form in which they are issued, bonds must be held at least one year from their issue date. A 3-month interest penalty applies to bonds not held at least 5 years.

When will new EE bonds reach original maturity?

EE bonds issued on and after May 1, 2005, will reach original maturity at 20 years. These bonds are also guaranteed to double in value from their issue price no later than 20 years after their issue dates. This is the bond's original maturity. If a bond does not double in value as the result of applying the fixed rate for 20 years, the Treasury will make a one-time adjustment at original maturity to make up the difference. During the 10-year extended maturity period that follows original maturity, bonds will earn interest at the fixed rate set at issue unless a new rate or new terms and conditions are announced for the extension period.

Questions and Answers

Series EE Savings Bonds **Issued May 1997 through April 2005**

What interest rate does my bond earn?

Series EE savings bonds purchased on or after May 1, 1997 through April 2005, earn interest based on market yields for five-year Treasury securities. The rate is 90% of the average yields on five-year Treasury securities for the preceding six months.

How long do I have to hold my bond before I can cash it?

Effective February 2003, you can cash your bond any time after 12 months. However, if your bond is cashed before five years, a three-month interest penalty applies. In effect, you lose the last three months' worth of interest. For example, if you buy a bond in May 1997 and cash it 24 months later in May 1999, you get your original investment back plus 21 months of interest. The value of the bond would be based on the announced rates applied over the 21-month period from May 1997 to February 1999.

How is interest added to my savings bonds?

Series EE savings bonds purchased on or after May 1, 1997 through April 2005 increase in value every month. The bond's interest rate is compounded semiannually. The rate that Treasury announces each May and November is applied to a bond for the six-month earning period.

How does Treasury set the rate?

Series EE savings bonds purchased on or after May 1, 1997 through April 2005, earn the higher rate right from the start. The rate is 90 percent of the average five-year Treasury market yields for the preceding six months. Treasury announces a savings bond rate each May 1 and November 1. The rates announced each May and November are the annual rates that apply to bonds for that six-month earning period. For example, the six-month earning period for a bond issued in May is from May through October; for a bond issued in June, it's June through November. The rate that is announced is the rate bonds will earn during the six-month earning period.

When will my bond be worth face value?

Since the interest rate can change each six months, there is no way to predict when your bond will be worth face value. A bond earning interest at an average rate of 5% per year, compounded semiannually, would reach face value no later than 14 $^{1}/_{2}$ years after issue, while a bond earning interest at an average rate of 6% per year, compounded semiannually, would reach face value no later than 12 years after issue.

For bonds purchased May 1, 1997 through May 30, 2003, you are guaranteed that your bond will be worth at least face value at 17 years. If the interest rates have been too low for your bond to accrue enough interest to be worth face value at 17 years, Treasury will make a one-time adjustment to increase the redemption value to face value at that time.

For bonds purchased June 1, 2003 through April 2005, you are guaranteed that your bond will be worth at least face value at 20 years. If the interest rates have been too low for your bond to accrue enough interest to be worth face value at 20 years, Treasury will make a one-time adjustment to increase the redemption value to face value at that time.

What happens after my bond reaches face value?

Your bond will continue to earn interest until it is 30 years old.

What will the interest be during this time?

The period from when your bond reaches face value to 30 years is an "extension". During this period, your bond will earn interest at the rates in effect then for extension for Series EE bonds issued May 1997 through April 2005.

Questions and Answers

Series EE Savings Bonds **Issued May 1995 through April 1997**

What interest rate does my bond earn?

Your bond earns interest from purchase through original maturity (17 years) based on market yields for Treasury securities.

For the first 5 years, your bond earns the *short-term* rate.

From 5 years to 17 years, your bond earns the *long-term* rate.

What are the *short-term* and *long-term* rates?

The ***short-term*** and ***long-term*** rates are announced by Treasury. They change each May 1st and November 1st to reflect changes in the market yield for Treasury securities.

The ***short-term*** rate is 85% of the average of six-month Treasury security yields over the three months prior to May 1 and November 1.

The ***long-term*** rate is 85% of the average of five-year Treasury security yields over the six months prior to May 1 and November 1.

To find out what the rates are for the current six months, call 1-800-4US BOND.

How is the rate applied to my bond?

Based on the rate in effect at the beginning of each period, interest will be added to your bond every six months. For example, if you bought a $100 Series EE bond in July 1996, you paid $50. From July through December 1996, the bond earned interest based on the *short-term* rate announced May 1996 of 4.36%. On January 1, 1997, the value of your bond increased to $51.08. From January 1997 through June 1997, your $51.08 earned interest based on the *short-term* rate announced November 1996 of 4.56%.

When will my bond be worth face value?

Since the interest rate can change each six months, there is no way to predict when your bond will be worth face value. A bond earning interest at an average rate of 5% per year, compounded semiannually, would reach face value no later than $14\ ^1/_2$ years after issue while a bond earning interest at an average rate of 6% per year, compounded semiannually, would reach face value no later than 12 years after issue.

You are guaranteed that your bond will be worth at least face value at 17 years. If the interest rates have been too low for your bond to accrue enough interest to be worth face value at 17 years, Treasury will make a one-time adjustment to increase the redemption value to face value at that time.

What happens after 17 years?

Your bond will continue to earn interest for an additional 13 years, until it is 30 years old.

What will the interest rate be during this time?

The period from 17 years to 30 years is an "extension". During this period, your bond will earn interest at the rates in effect then for extensions for Series EE bonds issued May 1995 through April 1997.

Questions and Answers

Series EE Savings Bonds **Issued November 1982 through April 1995**

What interest rate does my bond earn?

If your bond is less than five years old, it is earning interest at a guaranteed rate. For bonds with issue dates prior to March 1993, the guaranteed rates were gradually increased during the initial five-year period. Series EE savings bonds with issue dates from March 1993 through April 1995 earn interest at a guaranteed 4% per year during the first five years.

If your bond is five years old or older, your bond earns interest based on ***market-based investment yields*** or ***guaranteed minimum investment yields.***

Go to http://www.publicdebt.treas.gov/sav/savcalc.htm to access the Savings Bond Calculator.

What do you mean "or"?
How do I know which one applies to my five-year old or older bond?

Actually, they both apply. Treasury calculates the value of your bond two ways, using the ***market-based investment yield*** and ***guaranteed minimum investment yield***, and gives you the better overall return.

But how can I know what my bond is earning now?

The *United States Savings Bonds/Notes Earnings Report* provides this information. You can obtain a copy from the Public Debt web page at **www.treasurydirect.gov** or by contacting your servicing Federal Reserve Bank.

Go to http://www.publicdebt.treas.gov/sav/savcalc.htm to access the Savings Bond Calculator.

What is a *market-based investment yield?*
How is it applied to my five-year old or older bond?

Each May 1st and November 1st, Treasury determines an average of five-year Treasury security yields from the preceding six months. Each time your bond is due to increase in value, Treasury re-calculates the bond's ***market-based*** redemption value from the issue date. The averages of the Treasury security yields for the six-month earning periods are added together and divided by the number of semiannual periods since the bond was issued. The result is multiplied by 85% and rounded. This one rate is applied for each semiannual period since the bond was issued.

Can you give me an example?

If you bought a bond in June 1985, by December 1994, the bond was 9 $^1/_2$ years old. During the 9 $^1/_2$ years, there were 19 six-month interest earning periods. For each earning period, there is an applicable five-year Treasury security yield. To determine the ***market-based*** December 1994 value of your bond, the 19 average five-year Treasury security yields were added together and divided by 19. The result was multiplied by 85% and then rounded to the nearest $^1/_4$ of one percent (.25%). The result was the ***market-based investment yield***. The ***market-based*** worth of your bond on December 1994 was calculated by applying this yield, or rate, to the entire 9 $^1/_2$ years.*

A year later, to determine the ***market-based investment yield*** for your bond for December 1995, the applicable average five-year Treasury security yields for the interest periods December 1994 through May 1995 and June 1995 through November 1995 were added to those for the other 19 six-month interest earning periods and divided by 21 to obtain the average. This was multiplied by 85%; but this time the result was rounded to the nearest one-hundredth of one percent (.01%). The ***market-based*** worth of your bond for December 1995 was calculated by applying this yield to the entire 10 $^1/_2$ years.

**Note*: All redemption values calculations are performed on a hypothetical base denomination of $25. Redemption values for bonds of greater denominations are in direct proportion according to the ratio of denominations, i.e. a $50 bond would be worth twice the value of the base denomination, a $200 bond would be worth 8 times the value of the base denomination.

Why is the rounding to .25% in some cases and .01% in others?

When bonds are issued, an original maturity period is established. (Your 1985 bond had an original maturity period of 10 years.) After original maturity, bonds may be held for additional extensions of maturity. During maturity periods that began before May 1989, rounding of the market-based investment yield is to the nearest $^1/_4$ of one percent. If the current maturity period was entered on or after May 1, 1989, the rounding is to the nearest one hundredth of one percent.

What are the original maturity periods for my bonds?

For bonds dated November 1982 through October 1986, it is 10 years.

For bonds dated November 1986 through February 1993, it is 12 years.

For bonds dated March 1993 through April 1995, it is 18 years.

Where does the *guaranteed minimum investment yield* come in?
How does it apply to my bond?

When Treasury first offered a ***guaranteed minimum*** return in November 1982, the rate for the original maturity period was set at 7.5% per year, compounded semiannually. Effective with bonds issued November 1986, the rate was reduced to 6% per year, compounded semiannually. You had to hold a bond no less than five years to receive the ***guaranteed minimums***. For bonds issued March 1993 through April 1995, the rate is 4% from issue date. With each offering, Treasury established a table of redemption values for the original maturity period based on the ***guaranteed minimum*** return promised.

Can you give me an example?

Let's use your June 1985 bond again. When you bought this bond, Treasury promised that if you held the bond at least five years then you would receive a return of no less than 7.5% per year, compounded semiannually, during the original maturity period of the bond. In December 1994, the bond had not reached original maturity and had been held at least five years; therefore, the redemption value reflected a yield of the promised 7.5% per year, compounded semiannually, from the issue date to December 1994.

What happens after my bond reaches original maturity?

For original maturity, Treasury has established a table of redemption values which reflects the ***guaranteed minimum*** rate promised. After the bond reaches original maturity, it enters an extension. The ***guaranteed minimum*** during the extension will be the rate in effect at the time the extension starts, right now 4% per year, compounded semiannually. During the first extension, each time a bond is due to increase in value, Treasury re-calculates the bond's ***guaranteed minimum*** redemption value starting with what the bond is guaranteed to be worth at original maturity, and applies the ***guaranteed minimum*** rate for the current extension to each interest period since original maturity.

Can you give me an example?

On June 1, 1995, your June 1985 bond reached original maturity. At that time, the value of your bond reflected the guaranteed rate of 7.5%. By December 1995, your bond had one interest earning period in extended maturity. When your bond entered the extended maturity period, the guaranteed minimum in effect for extensions was 4%. To determine the December 1995 guaranteed minimum value of your bond, the interest rate of 4% per year, compounded semiannually, is applied to the June 1995 value for one semiannual period.

You said the "first extension". Is there more than one extension?

The first extension is 10 years. The bond then enters a second extension, earning interest until it is 30 years old. During the second extension, Treasury re-calculates the bond's guaranteed minimum redemption value, starting with what the bond is guaranteed to be worth at the end of the first maturity and applying the rate in effect when the second maturity was entered for each interest period since.

If I go to the bank and cash my bond, will I receive a redemption value that is calculated with either the *market-based investment yield* or *guaranteed minimum investment yield*, whichever makes my bond worth more?

Yes.

With this method, I can't compare a *market-based* return with a *guaranteed minimum investment yield* for a six-month period?

That's correct. The ***market-based investment yield*** and ***guaranteed minimum investment yield*** result from two separate, competing calculations. Overall market-based return from the bond's date of issue is compared with overall guaranteed return from that date. This approach

does not involve comparing a market-based return with a guaranteed minimum investment yield for the current year or six-month period.

Can you give me an example?

Taking a June 1986 bond as an example, the ***market-based investment yield*** was 6.11% per year compounded semiannually, from June 1, 1986, to June 1, 1997. Over that same period, the overall ***guaranteed minimum investment yield*** for the bond was greater, 7.18% per year, compounded semiannually, including two six-month periods (June 1, 1996 to June 1, 1997) at 4% per year, compounded semiannually, as well as earnings at the higher rate of 7.5% per year, compounded semiannually, during the preceding 10 years (20 six-month periods from June 1, 1986 to June 1, 1996).

As bonds have entered an extension since March 1, 1993, many bond owners have observed that their bonds are increasing in value at 4% per year, compounded semiannually, and expressed concern because every market-based rate they have seen or heard of is higher. However, when comparing returns (market-based versus guaranteed minimum), Treasury is not looking just at the 4% per year, compounded semiannually, alone. Treasury is looking at the overall guaranteed minimum return since each bond was issued, and comparing that with the overall market-based return over the same period.

Questions and Answers

Series E/EE Savings Bonds & Savings Notes **Issued Before November 1982**

What interest rate is used to calculate what my bond or note is worth?

If your bond is still earning interest, the interest is currently based on ***market-based investment yields*** or ***guaranteed minimum investment yields.*** All savings notes have stopped earning interest.

What do you mean, "If my bond is still earning interest"?

A Series E bond issued prior to December 1965 stops earning interest when it is 40 years old. A Series E bond issued December 1965 or later and a Series EE bond stops earning interest when it is 30 years old. All savings notes stopped earning interest after 30 years.

What do you mean *market-based investment yields* "or" *guaranteed minimum investment yields*? How do I know which one applies to my bond or note?

Actually, they both apply. Treasury calculates the value of your bond or note two ways, using the ***market-based investment yield*** and ***guaranteed minimum investment yield***, and gives you the better overall return.

But how can I know what my bond is earning now?

The *United States Savings Bonds/Notes Earnings Report* provides this information. You can obtain a copy from the Public Debt web page at **www.treasurydirect.gov** or by contacting your servicing Federal Reserve Bank.

When did Treasury start using the *market-based investment yield* and *guaranteed minimum investment yield*?

Treasury first offered market-based rates for savings bonds in November 1982. Bonds and notes outstanding at that time were to be included in the program if the owner continued to hold the bond or note for at least five years from the date it first increased in value on or after November 1, 1982. Series E bonds which were 40 years old before November 1987 were not eligible for the program.

What do you mean by "the date it first increased in value on or after November 1, 1982"?

Bonds and notes generally increase in value every six months. An eligible bond or note that increased in value each April and October, for example, entered the market-based rate program on April 1, 1983 and had to be held until April 1988.

You said "generally increase in value every six months". Are there exceptions I need to know about?

Yes. When a bond or note was first issued, it was given an original maturity period. For some Series E bonds, the original maturity period was such that the last interest earning period in original maturity was less than six months. For example, the last interest earning period for a bond with a June 1972 issue date was four months because the original maturity of the bond was 5 years, 10 months. This bond increased in value on December 1, 1977 ($5\ ^{1}/_{2}$ years after issue) and again on April 1, 1978 (5 years and 10 months after issue).

What happens after the original maturity period?

After a bond or note reaches original maturity, it enters a 10-year extension and increases in value six months from the original maturity date, as well as every six months thereafter during the extension. Additional maturity periods follow. Each additional maturity period is 10 years long unless a period of less than 10 years is required for the bond or note to reach the age at which it stops earning interest. During extensions, the bond or note increases in value every six months from the date the maturity period was entered. A final interest earning period may be less than six months.

For example, the June 1972 bond increases in value each April 1st and October 1st during its extended maturity periods with the next-to-last increase on April 1, 2002 and the final increase on June 1, 2002. (The original maturity was 5 years 10 months, April 1978. The first extension was from April 1978 through March 1988 and the second extension was from April 1988 through March 1998. At this point the bond is 25 years and 10 months old. Since it stops earning interest at 30 years, the final extension is 4 years and 2 months.)

So a bond with an April issue date, for example, may not always increase in value in April and October?

That's right. Also, a bond or note entered the market-based rate program the first time it increased in value on or after November 1, 1982. Since the June 1972 bond, for example, was increasing in value each April and October at that point, it entered the market-based rate program April 1, 1983, not December 1, 1982.

What are the original maturity periods for my bonds and notes?

For original maturity information, see "Original and Final Maturity" in Chapter 1. You may also contact your servicing Federal Reserve Bank.

So once I know the original maturity of my bond or note, I can determine when it entered the market-based rate program and when it increases in value. What is a *market-based investment yield*? How is it applied to my bond or note?

Each May 1st and November 1st, Treasury determines an average of five-year Treasury security yields from the preceding six months. Each time your bond or note is due to increase in value, Treasury re-calculates the ***market-based*** redemption value from the date it first increased in value on or after November 1, 1982. The averages of the Treasury security yields for the six-month earning periods since are added together and divided by the number of semiannual periods since that date. The result is multiplied by 85% and rounded. This one rate is applied for each semiannual period since the date of the first increase in value on or after November 1, 1982.

Can you give me an example?

Let's say you purchased a bond in June 1968. In 1982, this bond was in an extended maturity period with increases in value occurring each June 1st and December 1st (the bond had an original maturity of 7 years). Its first increase in value on or after November 1, 1982, was December 1, 1982. The value of the bond for December 1982 is the starting point for determining the value of the bond using a market-based investment yield.*

Now let's look at how the June 1994 market-based value was determined. In the 11 $^1/_2$ years between December 1982 and June 1994, there were 23 semi-annual interest earning periods. For each earning period, there is an applicable five-year Treasury security yield. To begin determining the ***market-based*** yield for the June 1994 market-based value of your bond, the 23 average Treasury security yields were added together and divided by 23. The result was multiplied by 85% and then rounded to the nearest $^1/_4$ of one percent (.25%). The result was the ***market-based investment yield***. The ***market-based*** worth of your bond on June 1994 was calculated by applying this yield to the entire 11 $^1/_2$ years.

Two years later, to determine the ***market-based investment yield*** for your bond for June 1996, four additional applicable average five-year Treasury security yields were added to those for the other 23 six-month interest earning periods and divided by 27 to obtain the average. The result was multiplied by 85%, but this time the result was rounded to the nearest one-hundredth of one percent (.01%). The ***market-based*** worth of your bond for June 1996 was calculated by applying this yield to the entire 13 $^1/_2$ years.

**Note:* All redemption values calculations are performed on a base denomination of $25. This is a hypothetical denomination in the case of EE bonds. Redemption values for bonds of greater denominations are in direct proportion according to the ratio of denominations, i.e. a $50 bond would be worth twice the value of the base denomination, a $200 bond would be worth 8 times the value of the base denomination.

Why is the rounding to .25% in some cases and .01% in others?

During maturity periods that began before May 1989, rounding of the market-based investment yield is to the nearest $^1/_4$ of one percent. If the current maturity period was entered on or after May 1, 1989, the rounding is to the nearest one hundredth of one percent.

Where does the *guaranteed minimum investment* yield come in?
How does it apply to my bond?

Unless the date a bond or note first increased in value on or after November 1, 1982, happened to coincide with the beginning of a new maturity period, guaranteed minimum returns for the remainder of the maturity period the bond or note was in were reflected in published tables of redemption values. These values were determined with rates announced and published prior to November 1982.

As a bond or note entered an extension, the guaranteed minimum in effect at that time became that bond's or note's ***guaranteed minimum investment yield*** for that extension. When Treasury first offered a ***guaranteed minimum*** return in November 1982, the rate was set at 7.5% per year, compounded semiannually, for bonds or notes entering an extension. For bonds or notes entering an extension on or after November 1986, the rate was reduced to 6% per year, compounded semiannually. For bonds or notes entering an extension March 1993 or later, the rate is 4% per year, compounded semiannually.

Can you give me an example?

Let's use the June 1968 bond again. By December 1987, when it had been held five years under the market-based rate program, it had entered its second 10-year extension of maturity. That second extension began on June 1985 when the guaranteed minimum rate in effect for extensions was 7.5%. The December 1987 guaranteed minimum value of this bond was determined by using the value of the bond on June 1, 1985 and applying a rate of 7.5% per year, compounded semiannually, to each of the five semiannual interest earning periods from June 1985 through November 1987.

Does the same thing apply to each additional extension?

Generally, yes. Each extension is 10 years (except the final extension, which may be less than 10 years). During each extension, Treasury goes back to the guaranteed minimum value of the bond or note at the end of the previous maturity period and applies the rate in effect when the current maturity was entered for each interest period since.

Can you give me an example?

A savings note issued January 1970 had an original maturity of 4 years, 6 months. On July 1, 1984, it entered its second 10-year extended maturity. At that time, the value of the note reflected the rates in effect prior to the introduction of the market-based rate program. The guaranteed minimum value of the note for July 1990 was calculated using the value of the note in July 1984 and applying the rate of 7.5% per year, compounded semiannually, to each of the 12 semiannual interest earning periods from July 1984 through June 1990.

The note entered its third and final extension of maturity (a 5 year, 6-month extension) on July 1994. The guaranteed minimum value of the note on July 1998 is calculated using the July 1994 guaranteed minimum value and applying the rate of 4% per year, compounded semiannually, for the eight semiannual interest earning periods from July 1994 through June 1998.

Is there an exception?

Yes. Series E bonds and notes were granted a one-time bonus in January 1980. The bonus applied if a bond or note was held to the date it first increased in value on or after January 1, 1991, if the bond or note did not stop earning interest before that date.

How was this 11-year bonus applied?

When each Series E bond or note increased in value for the first time on or after January 1, 1991, the guaranteed minimum value of the bond or note included the 11-year bonus. For the remainder of the maturity period the bond or note was in when it received the bonus, calculations of guaranteed minimum values were based on the guaranteed minimum value of the bond or note (including the bonus) on the first date it increased in 1991 rather than the date it entered the maturity period. If the bond or note entered another maturity period after that 1991 date, calculations once again were based on the value of the bond or note at the start of the latest extension.

Can you give me an example?

Once again, let's use the June 1968 bond. Let's look at a June 1994 value for the bond based on a guaranteed minimum investment yield. The bond entered its second extension of maturity in June 1985. Normally, the June 1985 value would be the base for calculations of the guaranteed minimum value during the second extension; but, this bond was also entitled to the one-time bonus the first time it increased in value in 1991. The June 1991 guaranteed minimum value included the 11 year bonus. Therefore, the June 1994 guaranteed minimum value was calculated using the June 1991 guaranteed minimum value as a base and applying the rate of 7.5% per year, compounded semiannually, to each of the six semiannual interest earning periods from June 1991 to June 1994. Similarly, the guaranteed minimum value of the bond on June 1995, when it entered its third extended and final maturity, was calculated with the June 1991 guaranteed minimum value as a base and the rate of 7.5% per year, compounded semiannually, applied for the eight semiannual interest earning periods from June 1991 through May 1995.

The June 1996 guaranteed minimum value of the bond is calculated by using the June 1995 guaranteed minimum value as a base and applying the rate of 4% per year, compounded semiannually, to the two semiannual interest earning periods since.

If I go to the bank and cash my bond or note, I will receive a redemption value that is calculated with either the *market-based investment yield* or *guaranteed minimum investment yield,* whichever makes my bond or note worth more?

From the issue date until the bond or note first increased in value on or after November 1982, increases in its value were based on the rate of return promised when the bond or note was issued and on adjustments to that rate made when Treasury announced rate increases. If you held the bond or note at least five years after the date it first increased in value on or after November 1, 1982, the difference in the value of your bond or note from the date of that first increase on or after November 1, 1982, and the redemption value you receive is based on the ***market-based investment yield*** or the ***guaranteed minimum investment yield***, whichever increases the value of your bond or note more overall.

With this method, I can't compare a *market-based* return with a *guaranteed minimum investment yield* for a six-month period?

That's correct. The ***market-based investment yield*** and ***guaranteed minimum investment yield*** result from two separate, competing calculations. Overall market-based return from the date an eligible bond or note first increased in value at the start of the market-based investment yield program is compared with overall guaranteed return from that date. This approach does not involve comparing a market-based return with a guaranteed minimum investment yield for the current year or six-month period.

Can you give me an example?

Taking our June 1968 E bond as an example, the ***market-based investment yield*** was 6.97% per year, compounded semiannually, from December 1, 1982, to June 1, 1997. Over that same period, the overall ***guaranteed minimum investment yield*** for the bond was greater, 7.56% per year, compounded semiannually, including four six-month periods (June 1, 1995 to June 1, 1997) at 4% per year, compounded semiannually, as well as earnings at higher rates averaging about 8.14% per year, compounded semiannually, during the preceding 12 $^{1}/_{2}$ years (25 six-month periods from December 1, 1982 to June 1, 1995).

As bonds have entered an extension since March 1, 1993, many bond owners have observed that their bonds are increasing in value at 4% per year, compounded semiannually, and expressed concern because every market-based rate they have seen or heard of is higher. However, when comparing returns (market-based versus guaranteed minimum), Treasury is not looking just at the 4% per year, compounded semiannually, alone. Treasury is looking at the *overall* guaranteed minimum return since each bond first increased in value on or after November 1, 1982, and comparing that with the *overall* market-based return over the same period.